



County of Los Angeles
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May 11, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
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From: David E. Janssen
Chief Administrative Officer

WASHINGTON, D.C. UPDATE

Moratorium on Proposed Rule Limiting Medicaid Payments to Government Providers

On May 10, 2007, the House passed, 221 to 205, H.R. 2206, a Federal Fiscal Year (FFY) 2007 supplemental appropriations bill, which includes funding for Iraq military operations, other defense activities, and some non-defense needs. The bill includes a provision to impose a one-year moratorium on the proposed rule limiting Medicaid payments to government providers, including public hospitals, to the cost of providing medical care to Medicaid recipients, which also had been included in H.R. 1591, the previous supplemental appropriations bill vetoed by the President. The President has indicated that he also would veto H.R. 2206 in its current form. At this time, it is unclear how the Senate will proceed with its new version of the supplemental appropriations bill. Moratorium language, however, was included in S. 965, the previous Senate version, and is supported by Senator Baucus (D-MT), who chairs the Finance Committee, which has jurisdiction over Medicaid.

H.R. 2206 would prohibit the Department of Health and Human Services (HHS) from promulgating a final rule, which would limit Medicaid payments to government providers for one year after the bill's enactment. The effective date of the proposed rule, released by the Centers for Medicare and Medicaid Services (CMS) on January 18, 2007, would be September 1, 2007. In the latest HHS Semiannual Regulatory Agenda, published on April 30, 2007, CMS indicated that it intends to issue a final rule for limiting Medicaid payments in May 2007. However, based on past experience with the expected publication

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dates for final rules included in previous HHS Semiannual Regulatory Agendas, it could take far more time for CMS to issue a final Medicaid rule.

Pursuit of County Position

Veterans Affairs (VA) Legislation: On May 8, 2007, H.R. 2225 (Waxman, D-CA), the West Los Angeles Department of Veterans Affairs Medical Center Preservation Act of 2007, was introduced, which would prohibit the sale, commercial development, disposal, or reduction of acreage of the entire 388-acre West Los Angeles Veterans Medical Center (WLAMC) property. Under current law, 109 acres of the WLAMC cannot be developed. The bill also would direct the Secretary of VA to submit a report to Congress providing a master plan for the use of the WLAMC within one year of the enactment of the bill and to appoint a committee, which includes representatives of State and local governments, veterans, veterans' services organizations, and community organizations, to advise the Secretary in developing the master plan.

Based on the Federal Agenda adopted by your Board on January 30, 2007, which includes policy opposing proposals which would allow private commercial development and the transfer of land to private entities at the Veterans' Affairs West Los Angeles Medical Center **the County's Washington advocates will support H.R. 2225 or similar legislation.**

Repeal of Non-Wage Tax Withholding Requirement: Section 511 of H.R. 4297, the Tax Increase Prevention and Reconciliation Act (P.L. 109-222), which was enacted in May 2006, requires state and local governments that spend more than \$100 million a year on goods and services to withhold three percent of payments with a few exemptions, from their vendors and contractors, beginning on January 1, 2011. This section was added to the bill in conference committee to help offset the cost of tax cuts included in the legislation. It, in effect, imposes a major new unfunded mandate on the County and other states and localities that meet the \$100 million threshold.

Two identical bills, H.R. 1023 (Meek, D-FL) and S. 777 (Craig, R-ID), the Withholding Tax Relief Act of 2007, have been introduced to repeal Section 511. The Federal Agenda, adopted by your Board, includes a policy to support the repeal of a new Federal mandate which, otherwise, will take effect on January 1, 2011, that will require state and local governments to withhold three percent of nearly all payments to contractor or vendors for payment to the Federal government for tax collection purposes. **Based on this policy, the County's Washington advocates will support H.R. 1023, S. 777, or similar legislation to repeal Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005.**

We will continue to keep you advised.

DEJ:GK
MAL:MT:acn

c: All Department Heads
Legislative Strategist